

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. A.I. 22(2022)

1 **IN THE MATTER OF** the **Automobile**
2 **Insurance Act**, RSNL 1990, c. A-22,
3 as amended, and regulations
4 thereunder; and
5

6 **IN THE MATTER OF** an application by
7 Aviva General Insurance Company for
8 approval of a revised rating program for
9 its Private Passenger Automobiles
10 category of automobile insurance.
11

12
13 **WHEREAS** on July 15, 2022 Aviva General Insurance Company (“Genco”) applied to the Board for
14 approval of a revised rating program under the Mandatory filing option for its Private Passenger
15 Automobiles category of automobile insurance; and
16

17 **WHEREAS** Genco filed an overall rate level indication of +4.9% and proposed an overall rate level
18 change of +4.5%; and
19

20 **WHEREAS** the rate analysis included the introduction of a “model refresh” by Genco in an effort
21 to better derive the appropriate relative rate for each risk; and
22

23 **WHEREAS** Genco proposed the following rating program changes:

- 24 a) changes to rating algorithm, base rates and differentials;
25 b) discount and surcharge changes;
26 c) endorsement changes; and
27 d) adoption of the 2022 CLEAR rate group table replacing the current 2020 table; and
28

29 **WHEREAS** Genco proposed upper bound capping of +30% and lower bound capping of -15%
30 tiered in increments of 5% and estimated its proposed overall rate level change on a capped basis
31 to be +4.1%; and
32

33 **WHEREAS** on October 7, 2022 the Board’s actuarial consultants, Oliver Wyman Limited (“Oliver
34 Wyman”), filed a report of findings with the Board; and

1 **WHEREAS** Oliver Wyman found Genco's proposed rating classification changes including
2 differentials, discounts, surcharges and endorsements to be reasonable and supported; and
3

4 **WHEREAS** Oliver Wyman identified issues for the Board's consideration with respect to Genco's
5 assumptions for its COVID-19 adjustment factors, full credibility claims count and underinsured
6 motorist proposal; and
7

8 **WHEREAS** Oliver Wyman noted that substituting alternative assumptions that it found to be
9 more appropriate than those used by Genco in the above noted areas would result in an overall
10 rate level indication of +1.1% which was less than the overall rate level change proposed by
11 Genco; and
12

13 **WHEREAS** Oliver Wyman also noted that Genco's proposed use of lower bound capping was a
14 deviation from the Board's Filing Guidelines which only allows for the use of upper bound
15 capping; and
16

17 **WHEREAS** on October 17, 2022 Genco filed comments in response to the Oliver Wyman report
18 in which it agreed to accept the alternative assumptions suggested by Oliver Wyman for its full
19 credibility claim count and underinsured motorist proposal; and
20

21 **WHEREAS** Genco noted that it continued to find its selected COVID-19 adjustment factors to be
22 reasonable and provided additional justification to support its position; and
23

24 **WHEREAS** Genco noted that the inclusion of lower bound capping was proposed as a temporary
25 measure to help alleviate the significant dislocation associated with its model refresh and that
26 the total premium to be collected on a capped basis was less than would be collected on an
27 uncapped basis; and
28

29 **WHEREAS** on October 26, 2022 Genco filed an amended overall rate level indication and
30 proposed change of +3.6% based on the assumption changes it agreed to in its October 17, 2022
31 submission and estimated its amended proposed overall rate level change on a capped basis to
32 be +3.3%; and
33

34 **WHEREAS** on October 27, 2022 Oliver Wyman filed a revised report of findings in response to
35 Genco's amended rate proposal in which it continued to find an overall rate level indication of
36 +1.1% based on alternative assumptions to be more reasonable; and
37

38 **WHEREAS** the Board acknowledges that a wide range of outcomes are possible in any prospective
39 ratemaking exercise and that the variance in the overall rate level indications produced by Genco
40 and Oliver Wyman results primarily from differing actuarial judgements and assumptions related
41 to the COVID-19 adjustment factors and expense provision; and
42

43 **WHEREAS** the Board is satisfied that Genco has provided adequate support for its selected
44 COVID-19 adjustment factors and expense provision based on the evidence filed; and

1 **WHEREAS** the Board accepts Genco’s proposed rating classification changes including
2 differentials, discounts, surcharges and endorsements; and
3

4 **WHEREAS** the Board is satisfied that Genco has adequately supported the inclusion of its lower
5 bound capping provisions as a deviation to the Filing Guidelines but finds that Genco must re-
6 evaluate its capping provisions in its next Mandatory filing and make arrangements to remove
7 the lower bound capping as quickly as reasonably possible; and
8

9 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
10 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
11 financial circumstances of the insurer, and do not violate the **Automobile Insurance Act** or the
12 **Insurance Companies Act** or the respective regulations thereunder.
13

14

15 **IT IS THEREFORE ORDERED THAT:**

- 16
17 1. The revised rating program received on October 26, 2022 from Aviva General Insurance
18 Company for its Private Passenger Automobiles category of automobile insurance is approved
19 to be effective no sooner than April 1, 2023 for new business and renewals.

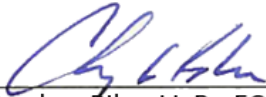
DATED at St. John’s, Newfoundland and Labrador, this 7th day of November, 2022.



Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer



John O’Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Assistant Board Secretary